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4 April 1952

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CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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GENERAL

1. Communist propaganda position on the eve of the World Economic Conference: Mr. Chambeiron and Mr. Lange, the two chief organizers of the World Economic Conference, during interviews in the Soviet capital on the eve of the conference, made the first definite suggestions for trade possibilities in specific commodities between the Orbit and the West -- between Communist China and France and Great Britain. These remarks are in line with alleged Soviet interest in increased East-West trade.

On the other hand, the US Embassy in Moscow believes that the real motivation behind the conference is revealed in the following statement in the newspaper Trud: "The foremost condition for the development of European trade must be the cessation of economic discrimination against the USSR and Eastern Europe which is being carried out by the ruling circles of the US." Furthermore, it is "well known that" the US ban on export of strategic materials "is being extended in fact to all types of goods and services -- completely severing trade between the West and East." (C Moscow 1553, 28 Mar; R Moscow 1556, 28 Mar; Moscow 1583, 2 Apr 52)

2. Plan for expansion of Soviet trade agency activities in India reported: Soviet plans for the organization of Soviet-Indian trade on a wider scale were reportedly discussed during the recent International Industries Fair at Bombay. 25X1 branches of the Soviet trade agency in Calcutta will be established in Bombay, Madras, and Cawnpore. These will contact local firms and grant them sole importing and distributing rights for Soviet goods, including machinery and consumer products. The USSR plans to sell goods at cheaper rates than items of US, British and German manufacture. 25X1A
(20 Mar 52)

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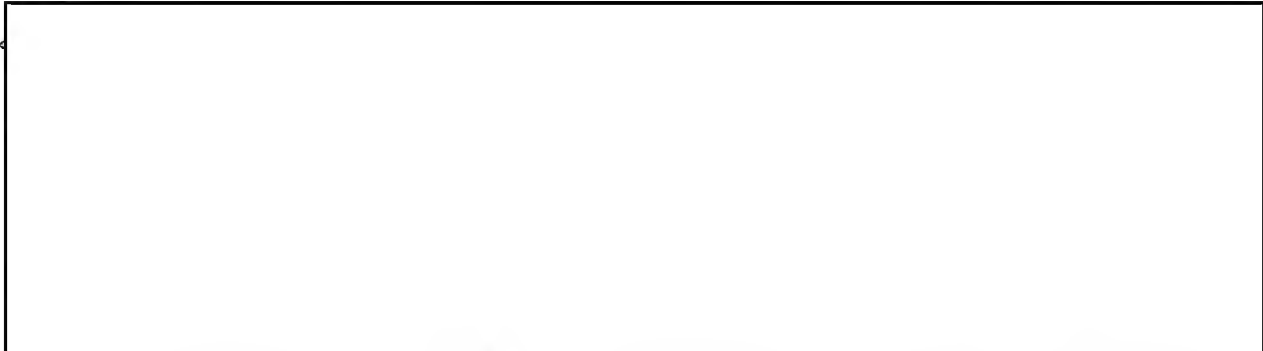
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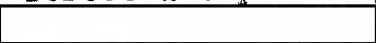
Comment: The reorganization of Vostokintorg in the fall of 1951, the Soviet propaganda effort of recent months to encourage Asian interest in trade with the USSR, and the International Economic Conference in Moscow have pointed up an emerging trend in Soviet policy towards the establishment of enlarged trade channels in various susceptible areas.

This information provides additional evidence of Moscow's desire to promote Asian trade relations, and may actually lead to increased trade in low-priced commodities despite the improbability of obtaining strategic goods in return.

Such a program would not only supplement the active Soviet cultural efforts to woo India, but would also serve to counterbalance American economic aid and trade ties. The USSR has at times been able to undercut Western prices by selling inferior products, and such an effort could be made in India with drugs, chemicals and small machinery.

EASTERN EUROPE

25X1 3. 

Comment: The uniformed militia are believed to number some 30,000, but the full strength of the Bulgarian People's Militia is not known. Since ordinary civil police and special security forces are probably included in the larger totals given in  a security force strength of 100,000 would not appear to be improbable.

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Although an undetermined number of Yugoslavs and Greeks are in the service of Bulgaria, there is no evidence to indicate that they have been integrated into Bulgarian Militia units.

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- 25X1 4. Bulgaria reported planning new economic and political measures: [redacted] Premier Chervenkov recently visited Moscow in connection with a new program for the "moral reinforcement" of the people and party of Bulgaria. Allegedly, the new program calls for a campaign to stress the importance of the party congress to be held in May for the postponement of plans for a Bulgarian currency reform, for an abatement of the propaganda campaigns against Yugoslavia, Greece, and Turkey, for stimulation of economic cooperation with the West, and for a "renaissance of Bulgarian national feeling." (S Athens 4327, 1 Apr 52)

25X1 Comment: Although it is probable that Chervenkov visited Moscow late in February, the balance of this report has not been confirmed [redacted] and should be treated with considerable reserve.

The last congress of the Bulgarian Communist Party was held in December 1948. According to party statute, a congress should be held every two years. There is no other evidence that a congress might be held in May.

The Rumanian currency change in January caused rumors concerning an impending Bulgarian reform. It is likely that such a reform, if planned, has been postponed.

There is no evidence that Bulgaria intends to alter its hostile policy toward Yugoslavia, Greece and Turkey, and it is highly doubtful that Sofia will "act to stimulate economic cooperation with the West."

During the past year Bulgaria has undergone a rigorous program of consolidation and integration into the Soviet sphere, and national feeling has been deliberately played down. It can be assumed that any "renaissance of Bulgarian nationalism" must necessarily take place within this established Satellite framework.

5. Czechoslovak Deputy Ministers of National Security re-
placed: Rude Pravo, official organ of the Czech Communist Party recently listed Jindrich Kostal and Jorman as Deputy Ministers of National Security, replacing Stanislav Baudys and Antonin Bina. (R FBIS Paris, 2 Apr 52)

Comment: This confirms information that Baudys, formerly Chief of the Czech Secret Security Police, has been removed from his post. He was earlier reported to have been arrested in January.

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Antonin Bina, previously reported to be personal representative of Minister of Information Vaclav Kopecky, was discharged early in December 1951.

6. Hungarian groups swamp US Legation with BW protests:
The US Legation in Budapest recently has received an overwhelming number of telephone calls, telegrams and petitions protesting the alleged germ warfare in Korea. A wide range of groups including district councils, several factories, peace committees and government offices have participated. The protests generally follow the current propaganda line against the alleged violations of the international rules of warfare by American troops. (S Budapest 748, 29 Mar 52; 752, 31 Mar 52)

Comment: Heretofore the campaign has been confined to the press, radio and mass meetings.

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FAR EAST

- 25X1 7. Transfer of authority from Mao Tse-tung to Liu Shao-ch'i
[redacted] "transition
25X1 of authority from Mao Tse-tung to Liu Shao-ch'i has been
completed." [redacted] Mao's actions as nominal
head of the government are subject to Liu's veto and that Mao
cannot stage a coup to regain his power. [redacted] 25X1A

Comment: There has never been evidence to support per-
sistent rumors that Mao and Liu head opposing factions in
the Chinese Communist party and government. While reliable
information on the private views of CCP leaders is lacking,
the public pronouncements of Mao and Liu have been complemen-
tary. Official Chinese Communist releases strongly suggest
that Mao dominates the CCP and that Liu is his trusted
subordinate.

8. Chinese Communists reportedly invite Soviet advisers to
Tibet: The Chinese Communists have invited Soviet technicians
to Tibet to set up industrial projects, supervise road-building
and exploit Tibetan mineral resources, according to the Indian
press. (U New Delhi 3579, 2 Apr 52)

Comment: This is the first specific report that Soviet
technicians have been asked to enter Tibet. Although it is
unconfirmed, the Peiping regime could be expected to lean on
Soviet technical assistance in Tibet as in the rest of
"liberated" China.

Recurrent reports in recent months relate the Chinese
Communist effort to accelerate modernization of Tibet. The
Communists must ensure their line of supplies and must improve
transportation and communication facilities to effect the
political and military integration of Tibet into China proper.

9. High French official questions wisdom of Letourneau's
appointment in Indochina: The Director of Political Affairs
in France's Ministry of Associated States has expressed some
personal doubts as to the wisdom of having Minister of the
Associated States Letourneau act also as Minister Resident in
Indochina. The Director fears that since the Minister will
spend much of his time in Saigon, the Ministry of Associated
States will lose importance. Furthermore, France's Indochina

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policy, which is formulated in Paris, will be affected by Letourneau's absence.

Whenever Letourneau is absent from Paris, his position there will probably be filled by a secretary of state without full responsibility. (C Paris 6029, 1 Apr 52)

Comment: Letourneau has been one of the strongest French supporters of his country's position in Indochina. This selection of a cabinet member to be Minister Resident in Saigon is an indication that the French Government is determined to end the rumors that it was contemplating a withdrawal.

10. Burmese attempt to capture Chinese Nationalist airfield reported: [redacted] 25X1
that the army has asked the Union of Burma Airways to transport 1400 troops from Rangoon to the town of Kengtung in north-eastern Burma over a ten-day period beginning 27 March.

An American official was privately informed that the objective of this operation is the capture of the Chinese Nationalist airfield at Mong Hsat, 60 miles southwest of Kengtung.

[redacted] 25X1A

Comment: Previous Burmese military operations against the Chinese Nationalists have been unsuccessful.

Latest reports indicate that the Nationalists around Mong Hsat are well-equipped and far outnumber the Burmese force being flown to Kengtung.

11. Karens in southeastern Burma planning attack on Moulmein:
Karen forces in southeastern Burma are reported to be planning a 13 April attack on Moulmein, Burma's third largest port. These troops, numbering about 9,000 well-equipped men, recently received two air-drops of arms. They believe that their arms, which have been obtained in Thailand in exchange for tungsten ore, originated from American sources and their morale is high. ([redacted]) 25X1A

Comment: Information from other sources indicates that this report exaggerates the size of Karen armed forces in southeastern Burma. There is no evidence of air-drops in the area, and although the trading of tungsten ore for arms by the Karens has been reported on a number of occasions, the source of these arms has never been determined.

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The Karens have been more aggressive in southeastern Burma recently, but there is no reliable evidence that they are prepared to attack the comparatively large garrison at Moulmein.

12. Comment on new Indonesian Cabinet: Although led by an unimpressive prime minister, the new Indonesian cabinet appears to be slightly stronger than the former government. With the exception of two ministries -- Foreign Affairs and Economic Affairs -- the various portfolios are held by fairly able and experienced men. This is particularly true of the Defense Minister (the Sultan of Jogjakarta) and the Minister of Home Affairs (Mohammed Rum), the latter a leader of the Masjumi liberal wing. The appointment of the Sultan, one of the most capable and popular men in Indonesia, promises improved treatment of the country's outstanding problem -- the lack of internal security. Mohammed Rum should be able to provide the Sultan with necessary cooperation from the Home Affairs Ministry.

The cabinet's foundation on a coalition of Indonesia's two largest parties, together with inclusion of representatives of the small but influential Socialist Party, appears to provide it with the necessary parliamentary support to work effectively toward accomplishment of its program, particularly in regard to attempts to solve the country's widespread insecurity. Unfortunately, however, Indonesian governments are frequently threatened as much from internal dissension as from public and parliamentary opposition. The former cabinet fell largely as a result of internal political rivalry; it is almost inevitable that similar rivalries will appear in the present government. (Factual data based on R Djakarta 1447 and 1451, 2 and 3 Apr 52)

NEAR EAST - AFRICA

13. Spain's Moroccan policy outlined: Current Spanish policy in Spanish Morocco is reported to have the following objectives: legal status for the Moroccan nationalist Islah Party and close relations with its local leader, Torres; amnesty for nationalist exiles from the Spanish Zone, despite any connections they may have with the Rif leader, Abd-el-Krim; improved economic conditions; provisions for increasing native participation in the Khalifian government; and opposition to France's Moroccan policy. To attain these objectives, special security measures

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will be taken and efforts made to obtain the active support of "well-disposed" Moroccans, especially the upper class.

Torres is reportedly receiving personal favors and financial aid from the Spanish Government, which hopes to use him in planning and promoting an Arab-Spanish bloc. [REDACTED]

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Comment: Spain expects its current conciliatory policy toward the Moroccan nationalists to enhance its prestige and influence throughout the Arab world, and indirectly to strengthen its bargaining position vis-a-vis France, Britain, and the United States. The reported plan for increased security precautions indicates that Spain intends to control the course of developments in its zone.

The formation of political parties was authorized by a Spanish decree on 12 March. Moroccan nationalists, however, feel that, because of the many restrictions included, any real political activity will be dependent on the good will of the Spanish High Commissioner. Moreover, Islam leaders are alarmed over reports that a rival nationalist party will be sponsored by the Spaniards.

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WESTERN EUROPE

14. East Germans assert Oder-Neisse line is permanent: The National Council of the East German National Front and the German-Polish Friendship Society stated recently that it is a national task to defend the Oder-Neisse frontier. They asserted that the fixing of the Oder-Neisse frontier was an important step toward developing German-Polish friendship, and that whoever encroaches upon the "frontier of peace" wants war. (R FBIS Berlin, 29 Mar 52)

Comment: While this line is not new, it indicates that the Soviet Union wants to reassure the Poles that the present boundary is permanent, and suggests that the Soviet Union is not now planning to compromise on this important German and Polish question as a "last trump" appeal to German sentiment.

15. East Germans prepare white book against Bonn government: Early in March the East German Government was reportedly planning to withhold issuance of a new white book entitled "Bonn Public Administration Prepares for War." The book is now said to have been given to Vincenz Mueller, Deputy Chairman of the National Democratic Party, for review. (S Frankfurt Sitreps 9 and 11, B-2, 18 Mar and 2 Apr 52)

16. Soviet-supported demonstrations disclose weaknesses in Austrian security: The Austrian Government has informed Western officials that the invasion of the Greek Legation in Vienna on 31 March by 2,000 Austrian Communists was a carefully planned action which was fully supported by the Soviet occupation authorities. Central police orders were circumvented by a local police official retained in office by the Russians despite his previous dismissal by the Ministry of Interior. Soviet officials who could have authorized the dispatch of police reinforcements to the Soviet sector deliberately kept away from telephones during the demonstration.

Western officials are disturbed by the Austrian Government's failure to maintain adequate liaison with the Western elements during the episode and have warned the Austrians that there must be closer cooperation if the Ministry of Interior is to retain control over police in the Soviet occupation zones. These officials hope that this recent example of effective "hand-in-glove" Soviet-Communist collaboration -- plus the

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anticipated diplomatic inquiries over the violation of extra-territorial rights -- will convince the Austrians of the necessity for more effective use of police resources. (Factual data from: U Vienna 3150, 1 Apr 52; R Vienna 3136, 1 Apr 52; S Vienna 3169, 3 Apr 52)

17. Dutch Communist Party plans cover for members in government service: As a result of the Dutch Government's ban against Communist employees in the civil service, Communist groups have taken precautions to disguise the affiliation of their members in government employment. The Union of Dutch Government Personnel, a section of the Communist-controlled labor federation, has instructed its members to join the Socialist Party if their Communist affiliations are known to government officials.

The Dutch Communist Party has reportedly sent each of its members who is also a government employee a letter stating that his name has been removed from the party's roster "at his request" -- thus providing "proof" that he has severed all connection with the party. Meanwhile the party has organized a committee to plan clandestine but direct contact between it and its government-employed members.

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Comment: Last December the Netherlands Government extended its list of "forbidden organizations" for civil servants to include the Communist Party, the Communist-controlled labor federation, and other Communist-front organizations. There is no indication, however, that the government plans to implement this measure, which was fully supported by the non-Communist political parties.

Communist strength in the Dutch Government is confined almost entirely to the lower echelons in Rotterdam, Amsterdam and Zaandam.

18. American Embassy warns against demanding rigid List II export limits from Sweden: The American Ambassador in Stockholm reports that Sweden would "undoubtedly" not be willing to establish definite List II quotas for exports to the Soviet Orbit, but he feels that an approach made at a "working level" would achieve much the same thing. An inflexible quota system would decrease the ability of the Swedes to drive hard bargains with Orbit countries. (S Stockholm 1149, 1 Apr 52)

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Comment: Last June the Foreign Office agreed informally to keep to a minimum Swedish exports of List I goods to the Orbit, but no commitment was sought by the United States at that time on List II items. Sweden's "alliance-free" foreign policy has precluded its taking any formal action on East-West trade matters.

LATIN AMERICA

19. Vice President of Argentina dies: Dr. Hortensio Quijano, Vice President of Argentina and Vice President-elect for another six-year term to begin on 4 June 1952, died on 3 April after a long illness. (R FBIS, Radio Buenos Aires, 3 Apr 52)

Comment: No new election for vice president will be held. The president pro tempore of the Senate, Rear Admiral Teisaire, will become acting vice president. Teisaire will hold this post at least until the new Congress convenes next May, when the Senate may re-elect him or select another president pro tempore, who would then become acting vice president. Should the president die or resign, the acting vice president would take over his functions only until special elections for president and vice president were called.

Quijano's death will not significantly affect the administration's policies, since he was politically inactive and Teisaire is chairman of the Peronista Party.

20. Russia breaking relations with Cuba: The Russian Charge d'Affaires has addressed a note to the Cuban Minister of State stating that Russia is breaking relations with Cuba as the result of a recent incident involving the mistreatment of two Russian couriers. The note was delivered personally to the Cuban Undersecretary of State.

Cuba's reply, refuting the Russian version of the courier incident and acknowledging notification of the breaking of relations, is being delivered personally to the Russian Legation by the Assistant Chief of Protocol. (R Havana 702, 3 Apr 52)

Comment: Although Cuba has maintained relations with Russia, Poland, and Czechoslovakia, there have been no Cuban diplomatic missions in those countries. Russia has maintained

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a legation in Havana; the Polish and Czech missions accredited have been resident in Mexico City. It is presumed that Russia, realizing the additional handicaps under which it would have to operate under the new Batista regime, has decided to withdraw its legation tactfully rather than have it forcibly closed at a later date.

21. Czechoslovakia requests permission to establish a commercial office in Panama: The Czechoslovak Minister to Venezuela has asked the Panamanian Foreign Minister for permission to establish a commercial office. He assured the Foreign Minister that the office would not be headed by a Communist and that it would deal only with commercial affairs.

According to Ambassador Wiley, the Foreign Minister believes that he disposed of the question by replying that Panama would want a similar office in Prague. (C Panama 856, 2 Apr 52)

Comment: A Czechoslovak commercial firm, Kotva, was established in Panama in 1948; it was used as a contact point by emissaries of the Czechoslovak Government passing through Panama. However, no connection between this establishment and the Panamanian Communists was noted at any time. Kotva was being closed out in late 1951 and was reportedly to be replaced by another Czechoslovak agency.

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FAR EAST

1. Chinese Nationalists threaten to oppose termination of Allied Council for Japan: A representative of the Chinese Embassy in Washington has informed American officials that his government is considering opposing the dissolution of the Allied Council for Japan when the San Francisco peace treaty comes into force.

The Chinese official pointed out that the peace treaty negotiations between Japan and China have reached a stalemate, and his government believes that it will have "little leverage" to apply to Japan after the multilateral treaty becomes effective. (S S/S to Taipei 721, 1 Apr 52)

Comment: The Chinese Nationalists are unlikely to take this extreme measure, and they have undoubtedly advanced this suggestion to reinforce their recent requests for United States intervention in the Sino-Japanese treaty talks.

Taipei is well aware that its proposed action would be favorable to the USSR, which is officially represented in Japan only through membership in the Allied Council.

2. Chinese Nationalists again request US intervention in Sino-Japanese treaty talks: The Chinese Nationalist Government has again asked the United States to use its influence over the Japanese Government to force a reconsideration of its views on the proposed Sino-Japanese peace treaty. In a conversation with the American Charge at Taipei, Chinese Foreign Office officials pointed out that the principal point of disagreement is refusal by Japan to acknowledge China's right to the benefits granted the signatories of the San Francisco treaty, which is essential to maintenance of the Chinese Government's position of equality with the other Allies.

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The American Charge commented that should China be forced to yield on this point, the resulting official and public resentment, directed against the United States as well as Japan, would impair the effectiveness of the American military and economic aid program in Formosa, as well as create many obstacles to Sino-Japanese cooperation. (S S/S Taipei 1264; S S/S Taipei 1257, 2 Apr 52)

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